



**IOWA FINANCE AUTHORITY
BOARD TRAINING SESSION MINUTES**

**Iowa Finance Authority Presentation Room
2015 Grand Avenue
Des Moines, Iowa**

December 4, 2007

Board Members Present

Kay Anderson, Chair
Roger Caudron, Vice Chair
Carmela Brown, Treasurer

Virginia Bordwell
David Erickson
Doug Walter

Staff Members Present

Bret Mills, Executive Director
Lori Beary, Community Development
Director
Linda Berg, Business Development Director
Mark Fairley, Finance & Investment Manager
Irene Hardisty, Director of Single-Family
Production
Steven Harvey, Director of Operations
Craig Johnson, Underwriter
Sheri Krohn, Asset Management Manager
Tim Morlan, Underwriter
Sharon Murphy, Housing and Grants
Specialist

Julie Noland, Senior Technical Analyst
Loyd Ogle, Director of Title Guaranty
Division (TG)
Joe O'Hern, Director of HousingIowa
Carla Pope, Director of Affordable Rental
Production
Terri Rosonke, Affordable Assisted Living
Coordinator
James Smith, Deputy Director/CFO
Mark Thompson, General Counsel
David Vaske, Low-Income Housing Tax
Credit Manager
Nancy Wallis, Administrative Assistant

Others Present

Erin Andrew – Office of the Governor
Bob Burns – BurnsHousing.com
Nick Hagen – Piper Jaffray

Al Hans – Piper Jaffray
Mitch Taylor – TG Board Member

Introduction and Overview

Mr. Mills opened the December 4, 2007, training session of the Iowa Finance Authority (IFA) Board of Directors at 9:05 a.m. The following Board members were present: Anderson, Bordwell, Brown, Caudron, Erickson and Walter.

Mr. Mills reported that the training is based on questions that Board members brought back from the National Council of State Housing Boards (NCSHB) in August. He distributed a Table of Organization and provided some background information on current number of staff compared with five years ago, showing how IFA has grown. Mr. Mills said that when compared to banks in central Iowa, IFA ranks fifth, according to the *Book of Lists*. He noted that IFA, with assets of \$2.1 billion, is slightly larger Bankers Trust, which has assets of \$1.9 billion.

Legal

Mr. Thompson spoke about IFA's creation in 1975 as a public instrumentality and agency of the state and described the legal case (the Grubb case) that tested IFA's powers and constitutionality in 1977. He said the Grubb case set IFA as a corporate entity, separate and distinct from the state. Mr. Thompson also explained the powers of the Board of Directors, the make-up of the Board, the role of the Board members and the relationship between IFA and Title Guaranty.

Mr. Thompson provided information about the amendments to IFA's Chapter 16 that were recently approved by the legislature, and reviewed laws governing open meetings and public records, closed sessions of the Board, rule-making and state gift laws.

A copy of Mr. Thompson's PowerPoint presentation is available from IFA.

Accounting and Finance

Accounting Structure, Internal Controls and Budget

Mr. Harvey summarized the functions of IFA's Information Technology Department and demonstrated the IFA intranet. He then explained the budget and reporting system used by the Accounting Department and demonstrated the balance sheets used for record keeping.

Mr. Harvey described the control environment in place in the Operations Department to provide a check-and-balance system.

A copy of Mr. Harvey's PowerPoint presentation is available from IFA.

Bond Issuance Process, Investments and Swaps

Mr. Smith explained the process used when IFA issues bonds. He spoke about the participants involved in a bond issue, basic bond documents and the timeline of a bond issue.

Mr. Smith then described the financing mechanics used for FirstHome and FirstHome Plus. He also explained how and why IFA uses derivative transactions in various bond issues. Mr. Smith closed by providing details of IFA's investment policy, procedures and performance. He noted there was a copy of IFA's investment policy included in the training book.

A copy of Mr. Smith's PowerPoint presentation is available from IFA.

Conduit Loan Program Process and Volume Cap

Ms. Beary explained IFA's unique ability to issue tax-exempt bonds anywhere in the state of Iowa and for a variety of purposes. She said IFA has no financial responsibility or liability because the borrower is responsible for paying all principal and interest. Ms. Beary provided

details about the IRS regulations that govern the Economic Development Loan Program, the fees charged by IFA and the process for allocating Private Activity Bond Cap.

A copy of Ms. Beary's PowerPoint presentation is available from IFA.

The Board, staff and guests took a break at 11:25 a.m. and reconvened the meeting at 11:40 a.m.

Capital Adequacy Study

Mr. Hans and Mr. Hagen of Piper Jaffray distributed the Capital Adequacy Study in the form of a presentation and the full report. Mr. Hans spoke about the assumptions they used in preparing the study. He explained in detail the various aspects of the report.

Mr. Hagen spoke of some of the major constraints for IFA and the choices the agency needs to make to deal with those constraints, as well as ways to maintain and improve IFA's credit rating.

A copy of the report and the presentation are available from IFA.

At 12:55 p.m., the Board and staff took a break for lunch.

At 1:10 p.m., the meeting reconvened.

Title Guaranty Division (TG)

Ms. Berg provided an overview of Title Guaranty, stating that the purpose of the division is to guarantee marketable titles to property. She said Iowa is the only state in the nation with a program such as this, and that Iowa currently has some of the cleanest titles in the nation. Ms. Berg explained some of the issues that can occur with titles, what TG's response is to those issues, various challenges that arise and what TG sees as future goals, including a proposed Commercial Services Department.

Mr. Ogle and Ms. Berg responded to questions from the Board and said additional information about TG was included in the training book.

A copy of the TG PowerPoint presentation is available from IFA.

HousingIowa

Mr. O'Hern introduced the HousingIowa section by stating that in CY07, IFA assisted with 8,500 housing units for a total of \$385 million.

Single-Family Housing Programs

Ms. Hardisty provided details about the FirstHome and FirstHome Plus programs, the Military Grant program, the Rural Grant – Community Second program and the Single-Family Endowment Programs. She reported that IFA currently has approximately \$30 million in the Single-Family Endowment Fund.

Affordable Rental Production (Tax Credits and Other Programs)

Mr. Vaske summarized the Low-Income Housing Tax Credit (LIHTC) Program and said that in the past 20 years, the program has provided incentives to developers for 542 projects. He also explained the difference between 4 percent and 9 percent credits.

Ms. Pope spoke about the Qualified Allocation Plan (QAP) for the LIHTC Program, and provided details about the development of the QAP, the set-asides, threshold requirements and scoring criteria.

Ms. Pope also summarized details of the homeless programs with which IFA is involved, the Housing Opportunities for Persons with AIDS/HIV (HOPWA) and the rent subsidy programs.

State Housing Trust Fund

Ms. Rosonke presented information about the State Housing Trust Fund (SHTF), which she said is a “flow-through” account and not a revolving loan fund. She provided detailed information about the Local Housing Trust Fund Program and the Project-Based Housing Program. Ms. Rosonke stated that more than 2,400 housing units have been impacted to date, with a leveraged local housing investment of more than \$95 million, or approximately \$13.17 leveraged for every SHTF dollar invested.

Multifamily Loan Program

Mr. Johnson explained the processes used in the Multifamily Loan program, speaking about how inquiries about the program are handled and how applications are received. He also discussed the processes used for underwriting proposed projects. Mr. Johnson said the program works with three main types of projects: preservation of affordable housing, Low-Income Housing Tax Credits, and substantial rehabilitation of nonrestricted properties.

Mr. Morlan briefly summarized the Transitional Housing Revolving Loan Program, the Senior Living Revolving Loan Program, the Home- and Community-Based Services Revolving Loan Program and the Main Street Mortgage Loan Program. He closed with a slide showing a comparison of the results from CY06 and CY07 for the various multifamily programs.

Mr. O’Hern then explained the last slide in the presentation, noting that IFA is attempting to track the number of units of affordable housing produced by IFA and other agencies in order to determine what housing needs are being met and which needs are still unmet in the state.

A copy of the HousingIowa PowerPoint presentation is available from IFA.

Participants took a break at 3:15 p.m. and reconvened the meeting at 3:30 p.m.

COMPLIANCE

Ms. Krohn reported that there are 18 full-time employees in the Housing Compliance Department providing compliance for both Section 8 and Section 42 (LIHTC) properties. She said the seven compliance specialists have divided the state into sections and each person performs compliance on both types of projects in their section of the state.

Ms. Krohn explained the processes used for performing compliance reviews and for reporting problems that arise. She said IFA currently provides contract administration for HUD on 242 projects for a total of 12,000 units.

A copy of Ms. Krohn's PowerPoint presentation is available from IFA.

Water Quality Programs

Ms. Beary reported on the history of the Clean Water Act and the Safe Drinking Water Act and how they affect IFA's water quality programs. She explained the working relationship between IFA and the Iowa Department of Natural Resources and discussed the application process.

Ms. Beary summarized details of the state match for capitalization grants, the authorized types of assistance and how interest income from projects can be used. She also talked about various programs within the Nonpoint Source Programs, including the Local Water Protection Program (LWPP), the Livestock Water Quality Program (LWQ), the Onsite Wastewater Assistance Program (OSWAP), stormwater projects, Iowa Natural Heritage Foundation Loans and brownfield cleanup. She then explained how IFA's new Linked Deposit Program works and closed with information about the Wastewater Treatment Financial Assistance Program.

A copy of Ms. Beary's PowerPoint presentation is available from IFA.

Following brief closing comments by Mr. Mills, the meeting closed at 4:50 p.m.

Dated this 9th day of January 2008.

Respectfully submitted:

Approved as to form:

Bret L. Mills
Executive Director
Iowa Finance Authority

Kay Anderson, Chair
Iowa Finance Authority

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